



Form 3F  
Income Tax Return of Corporate Trust

2001  
Massachusetts  
Department of Revenue

Registration

For calendar year 2001 or taxable period beginning		2001 and ending	
Name of corporation	Federal business code	Federal identification number (FID)	
Principal business address	City/Town	State	Zip
Principal business address in Massachusetts	City/Town	State	Zip
1. Kind of business	2. Date of organization	3. <input type="checkbox"/> Check if RIC/REIT (see instr.)	4. Has the trust elected to be a federal S corporation? <input type="checkbox"/> Yes <input type="checkbox"/> No
6. Last year audited by IRS		7. <input type="checkbox"/> Check if Section 38 manufacturer	
Adjustments reported to Mass.? <input type="checkbox"/> Yes <input type="checkbox"/> No (attach explanation)		8. <input type="checkbox"/> Check if requesting alternative apportionment. Attach Form AA-1.	
9. Amount of accumulated earnings and profits as of 1/1/71, if the trust was not subject to Mass. taxation and if it had earnings and profits accumulated prior to 1/1/71: \$ . Attach a schedule giving dates and amounts of distributions from such earnings and profits since 1971. Total of distributions: \$ .			

Computation of Tax

If filing U.S. Form 1120S, see instructions.

1	Gross receipts or gross sales	Less: returns and allowances	Balance	1
2	Less: Cost of goods sold (from U.S. Forms 1120 or 1120A, line 1C)			2
3	Gross profit (from U.S. Forms 1120 or 1120A, line 3)			3
4	Gross rents (from U.S. Forms 1120 or 1120A, line 6)			4
5	Gross royalties (from U.S. Forms 1120 or 1120A, line 7)			5
6	Total. Add lines 3 through 5			6
7	Deductions (from U.S. Form 1120, line 27 or 1120A, line 23)			7
8	Taxes (U.S. Forms 1120 or 1120A, line 17); contributions (U.S. line 19); other adjustments			8
9	Total Massachusetts deductions. Subtract line 8 from line 7			9
10	Net profit or (loss) from business. Subtract line 9 from line 6			10
11	Total interest from savings in Massachusetts banks			11
12	Other 5.6% income (from U.S. Forms 1120 or 1120A, line 10)			12
13	Subtotal 5.6% income or (loss) before allocation. Add lines 10 through 12			13
14	Mass. apportionment percentage (Mass. Sch. E, line 5; if income derived solely from business in Mass., enter 100%)			14
15	Net taxable 5.6% income. Multiply line 13 by line 14			15
16	Adjusted 5.6% income. If line 15 is less than "0," enter "0." Otherwise, enter the amount from line 15			16
17	Interest and dividend income (from Schedule B, line 26)			17
18	Total 5.6% income. Add line 16 and line 17			18
19	Tax on 5.6% income (use Tax Table from Form 1. If line 18 is over \$80,000, multiply by .056)			19
20	Taxable 12% capital gains (from Massachusetts Schedule B, line 29)			20
21	Tax on 12% capital gains. Multiply line 20 by .12			21
22	Tax on long-term capital gains (from Massachusetts Schedule D, line 19; not less than "0")			22
23	Credit recapture (attach Schedule H-2; see instructions): <input type="checkbox"/> Brownfields Credit <input type="checkbox"/> Economic Opportunity Credit			23
24	Total tax. Add lines 19 through 23			24
25	Lead Paint Credit (attach Massachusetts Schedule LP)			25
26	Economic Opportunity Area Credit (attach Massachusetts Schedule EOA)			26
27	Full Employment Credit (attach Massachusetts Schedule FEC)			27
28	Brownfields Credit (attach Massachusetts Schedule BC)			28
29	Low-Income Housing Credit (attach eligibility statement)			29
30	Tax after credits. Subtract the total of lines 25 through 29 from line 24. Not less than "0"			30
31	2000 overpayment applied to your 2001 estimated tax			31
32	2001 Massachusetts estimated tax payments (do not include amount in line 31)			32
33	Payments made with extension			33
34	Amount overpaid. Subtract line 30 from the total of lines 31 through 33			34
35	Amount overpaid to be credited to your 2002 estimated tax			35
36	Amount of your refund. Subtract line 35 from line 34			36
37	Amount of tax due. Subtract the total of lines 31 through 33 from line 30. Make check payable to Comm. of Mass.			37
38	Include in the total in line 37, if applicable: Interest \$ ; Penalty \$ ; M-2210 Penalty \$			

Sign Here

Under the penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he/she has knowledge.			
Signature of appropriate officer (see instructions)	Date	Social Security number	Title
Individual or firm signature of preparer	Date	PTIN or SSN	Address

Mail to: Mass.  
Dept. of Revenue,  
PO Box 7018  
(7025, if S corp.),  
Boston, MA 02204.

If you are signing as an authorized delegate of the appropriate officer, check here ☐ and attach Massachusetts Form M-2848, Power of Attorney.

## Schedule B. Interest, Dividends and Certain Capital Gains and (Losses)

<b>1</b>	Gross dividends (from U.S. Forms 1120 or 1120A, line 4) . . . . .	<b>1</b>	
<b>2</b>	Total interest income (from U.S. Forms 1120 or 1120A, line 5) . . . . .	<b>2</b>	
<b>3</b>	Other interest and dividends not included above (attach statement) . . . . .	<b>3</b>	
<b>4</b>	Total interest and dividends. <i>Add lines 1, 2 and 3.</i> . . . . .	<b>4</b>	
<b>5</b>	Total interest from savings in Massachusetts banks (from page 1, line 11) . . . . .	<b>5</b>	
<b>6</b>	Interest and dividends taxed directly to Massachusetts trusts and estates (if included in line 4 above) . . . . .	<b>6</b>	
<b>7</b>	Other interest and dividends to be excluded. <b>Attach schedule.</b> . . . . .	<b>7</b>	
<b>8</b>	<i>Add lines 5 through 7.</i> . . . . .	<b>8</b>	
<b>9</b>	Subtotal. <i>Subtract line 8 from line 4.</i> If you have no short-term capital gains or (losses), long-term gains on collectibles and pre-1996 installment sales, gains or (losses) from the sale, exchange or involuntary conversion of property used in a trade or business, allowable deductions from your trade or business, carryover short-term (losses) from prior years, or net long-term capital (losses), omit lines 10–23. Enter this amount in line 24, complete lines 25 and 26 and omit lines 27–30. Otherwise complete Schedule B . . . . .	<b>9</b>	
<b>10</b>	Short-term capital gains (included in U.S. Forms 1120 or 1120S, Schedule D, Part I, lines 1, 2 and 3) . . . . .	<b>10</b>	
<b>11</b>	Long-term capital gains on collectibles and pre-1996 installment sales (from Massachusetts Schedule D, line 8) . . . . .	<b>11</b>	
<b>12</b>	Gain on the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less (from U.S. Form 4797) . . . . .	<b>12</b>	
<b>13</b>	<i>Add lines 9, 10, 11 and 12.</i> . . . . .	<b>13</b>	
<b>14</b>	Allowable deductions from your trade or business (from Massachusetts Schedule C-2, line 10) . . . . .	<b>14</b>	
<b>15</b>	Subtotal. <i>Subtract line 14 from line 13.</i> . . . . .	<b>15</b>	
<b>16</b>	Short-term capital (losses) (included in U.S. Forms 1120 or 1120S, Schedule D, Part I, lines 1, 2 and 3) . . . . .	<b>16</b>	(      )
<b>17</b>	(Loss) on the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less (from U.S. Form 4797) . . . . .	<b>17</b>	(      )
<b>18</b>	Prior short-term unused (losses) for years beginning after 1981 (from 2000 Massachusetts Schedule B, line 30) . . . . .	<b>18</b>	(      )
<b>19</b>	<i>Combine lines 15, 16, 17 and 18.</i> If Schedule B, line 19 is a loss and all amounts in Schedule D, line 11, columns A, B, C, D, E or F are "0" or less, omit lines 20–23, enter "0" in lines 24–29, enter the amount from line 19 on line 30 and enter "0" on Form 3F, lines 17 and 20. If line 19 is a positive amount and any amount in Schedule D, line 11, columns A, B, C, D, E or F is greater than "0," omit line 20 and enter the amount from line 19 in line 21. Otherwise, go to line 20. . . . .	<b>19</b>	
<b>20</b>	Capital (losses) applied against interest, dividends and/or capital gains. <b>See instructions</b> . . . . .	<b>20</b>	
<b>21</b>	Subtotal. If line 19 is greater than "0," subtract line 20 from line 19. If line 19 is less than "0," combine lines 19 and 20. If line 21 is a loss, omit lines 22 through 29, enter the amount from line 21 in line 30 and enter "0" on Form 3F, lines 17 and 20 . . . . .	<b>21</b>	
<b>22</b>	Long-term net collectible gain deduction. Complete only if lines 11 and 21 are greater than "0." If there is no entry in line 11, enter "0." If line 11 shows a gain, enter 50% of line 11 less 50% of (losses) in lines 16, 17, 18 and 20, but not less than "0" . . . . .	<b>22</b>	
<b>23</b>	Adjusted gross interest, dividends and certain capital gains. <i>Subtract line 22 from line 21.</i> Not less than "0" . . . . .	<b>23</b>	
<b>24</b>	Taxable interest and dividends. If line 23 is greater than or equal to line 9, enter the amount from line 9. If line 23 is less than line 9, enter the amount from line 23 . . . . .	<b>24</b>	
<b>25</b>	Mass. apportionment percentage (from Mass. Sched. E, line 5; if income derived solely from business in Mass., enter 100%) . . . . .	<b>25</b>	%
<b>26</b>	Net taxable interest and dividends. <i>Multiply line 24 by line 25.</i> Enter the result here and on Form 3F, line 17. . . . .	<b>26</b>	
<b>27</b>	Taxable 12% capital gains. <i>Subtract line 24 from line 23.</i> Not less than "0" . . . . .	<b>27</b>	
<b>28</b>	Mass. apportionment percentage (from Mass. Sched. E, line 5; if income derived solely from business in Mass., enter 100%) . . . . .	<b>28</b>	%
<b>29</b>	Net taxable 12% capital gains. <i>Multiply line 27 by line 28.</i> Enter the result here and on Form 3F, line 20 . . . . .	<b>29</b>	
<b>30</b>	Available short-term (losses) for carryover in 2002. Enter amount from line 21 only if it is a (loss). If line 21 is not completed, enter the amount from line 19, only if it is a (loss) . . . . .	<b>30</b>	(      )

# Schedule D. Long-Term Capital Gains and (Losses) Excluding Collectibles

Attach copy of U.S. Schedule D.

For lines 1, 2, 3, 5, 6 and 8, enter in the appropriate column amounts from the sale, exchange or involuntary conversion of Massachusetts capital assets:

	A. Held more than 1 year but not more than 2 years	B. Held more than 2 years but not more than 3 years	C. Held more than 3 years but not more than 4 years	D. Held more than 4 years but not more than 5 years
<b>1</b> Enter net gains or (losses) from U.S. Forms 1120 or 1120S, Schedule D, Part II, line 11. If not filing U.S. Schedule D, report 100% of capital gains distributions in line 1 . . . . . <b>1</b>				
<b>2</b> Loss on the sale, exchange or involuntary conversion of property used in a trade or business and held for more than one year (not included in line 1) . . . . <b>2</b>	(       )	(       )	(       )	(       )
<b>3</b> Carryover losses from prior years (see instructions) <b>3</b>	(       )	(       )	(       )	(       )
<b>4</b> Subtotal. <i>Combine line 1, line 2 and line 3</i> . . . . . <b>4</b>				
<b>5</b> Net gains or (losses) taxed directly to Massachusetts trusts and included in line 4 . . . . . <b>5</b>				
<b>6</b> Differences and adjustments, if any (attach additional statement) . . . . . <b>6</b>				
<b>7</b> <i>Exclude/subtract line 5 and line 6 from line 4</i> . . . . . <b>7</b>				
<b>8</b> Long-term gains on collectibles and pre-1996 installment sales. Also, enter this amount in Schedule B, line 11 . . . . . <b>8</b>				
<b>9</b> Subtotal. <i>Subtract line 8 from line 7.</i> . . . . . <b>9</b>				
<b>10</b> Long-term capital (losses) applied against long-term capital gains. <b>See instructions</b> . . . . . <b>10</b>				
<b>11</b> Subtotal. <i>Combine line 9 and line 10.</i> . . . . . <b>11</b>				
<b>12</b> Capital (losses) applied against interest, dividends and/or capital gains. <b>See instructions</b> . . . . . <b>12</b>				
<b>13</b> Subtotal. If line 11 is greater than "0," subtract line 12 from line 11. If line 11 is less than "0," combine lines 11 and 12. If line 13 is a loss, omit lines 14 through 19, enter the amount from line 13 in line 20 and enter "0" on Form 3F, line 22. . . . . <b>13</b>				
<b>14</b> Allowable deductions from your trade or business (from Mass. Schedule C-2; see instructions) . . . . . <b>14</b>				
<b>15</b> Subtotal. <i>Subtract line 14 from line 13.</i> . . . . . <b>15</b>				
<b>16</b> Massachusetts apportionment percentage (from Massachusetts Schedule E, line 5)* . . . . . <b>16</b>	%	%	%	%
<b>17</b> Adjusted long-term capital gains/losses. <i>Multiply line 15 by line 16.</i> . . . . . <b>17</b>				
	Multiply line 17, col. A by .05; enter result below    Multiply line 17, col. B by .04; enter result below    Multiply line 17, col. C by .03; enter result below    Multiply line 17, col. D by .02; enter result below			
<b>18</b> <i>Multiply line 17 by the applicable tax rate.</i> . . . . . <b>18</b>				
<b>19</b> Tax on long-term capital gains. <i>Add lines 18A, 18B, 18C, 18D and 18E (Schedule D, page 2).</i> Not less than "0." Enter result here and on Form 3F, line 22. . . <b>19</b>				
<b>20</b> Available (losses) for carryover in 2001. Enter in line 20, column A the amount from line 13, column A, only if it is a (loss). Enter in line 20, column B the amount from line 13, column B, only if it is a (loss). Enter in line 20, column C the amount from line 13, column C, only if it is a (loss). Enter in line 20, column D the amount from line 13, column D, only if it is a (loss) . . . . . <b>20</b>	Column A carryover amount	Column B carryover amount	Column C carryover amount	Column D carryover amount
	(       )	(       )	(       )	(       )

\*If income was derived solely from business carried on in Massachusetts, enter 100% in line 16.

For lines 1, 2, 3, 5, 6 and 8, enter in the appropriate column amounts from the sale, exchange or involuntary conversion of Massachusetts capital assets:

	E. Held more than 5 years but not more than 6 years	F. Held more than 6 years
<b>1</b> Enter net gains or (losses) from U.S. Forms 1120 or 1120S, Schedule D, Part II, line 11. If not filing U.S. Schedule D, report 100% of capital gains distributions in line 1 . . . . .		
<b>2</b> Loss on the sale, exchange or involuntary conversion of property used in a trade or business and held for more than one year (not included in line 1) . . . . .	( )	( )
<b>3</b> Carryover losses from prior years (see instructions) . . . . .	( )	
<b>4</b> Subtotal. <i>Combine line 1, line 2 and line 3.</i> . . . . .		
<b>5</b> Net gains or (losses) taxed directly to Massachusetts trusts and included in line 4 . . . . .		
<b>6</b> Differences and adjustments, if any (attach additional statement) . . . . .		
<b>7</b> <i>Exclude/subtract line 5 and line 6 from line 4</i> . . . . .		
<b>8</b> Long-term gains on collectibles and pre-1996 installment sales. Also, enter this amount in Schedule B, line 11 . . . . .		
<b>9</b> Subtotal. <i>Subtract line 8 from line 7</i> . . . . .		
<b>10</b> Long-term capital (losses) applied against long-term capital gains. <b>See instructions</b> . . . . .		
<b>11</b> Subtotal. <i>Combine line 9 and line 10</i> . . . . .		
<b>12</b> Capital (losses) applied against interest, dividends and capital gains. <b>See instructions</b> . . . . .		
<b>13</b> Subtotal. If line 11 is greater than "0," subtract line 12 from line 11. If line 11 is less than "0," combine lines 11 and 12. If line 13 is a loss, omit lines 14 through 19, enter the amount from line 13 in line 20 and enter "0" on Form 3F, line 22. . . . .		
<b>14</b> Allowable deductions from your trade or business (from Mass. Schedule C-2; see instructions). . . . .		
<b>15</b> Subtotal. <i>Subtract line 14 from line 13.</i> . . . . .		
<b>16</b> Massachusetts apportionment percentage (from Massachusetts Schedule E, line 5)* . . . . .	%	%
<b>17</b> Adjusted long-term capital gains/losses. <i>Multiply line 15 by line 16.</i> . . . . .		
Multiply line 17, col. E by .01; enter result below		
<b>18</b> <i>Multiply line 17 by the applicable tax rate. Complete line 19 on Schedule D, page 1.</i> . . . . .		
Column E carryover amount      Column F carryover amount		
<b>20</b> Available (losses) for carryover in 2001. Enter in line 20, column E the amount from line 13, column E, only if it is a (loss) . . . . .	( )	( )

\*If income was derived solely from business carried on in Massachusetts, enter 100% in line 16.

## Schedule E. Income Apportionment/Business Locations Outside Massachusetts

Location (city and state)	Indicate whether factory, sales office, warehouse, construction site, etc.	Answer Yes or No		
		Accepts orders	Registered to do business in state	Files returns in state

### Apportionment Factors

	A. Massachusetts	B. Everywhere	C. Percentage
<b>1 Tangible Property</b>			
a Property owned (averaged) . . . . . <b>1a</b>	\$	\$	
b Rented property (capitalized) . . . . . <b>1b</b>	\$	\$	
c Totals. <i>Add lines 1a and 1b for each column</i> . . . . . <b>1c</b>	\$	\$	
d Tangible property apportionment percentage. <i>Divide column A total by column B total</i> . . . . . <b>1d</b>			%
<b>2 Payroll</b>			
a Total . . . . . <b>2a</b>	\$	\$	
b Payroll apportionment percentage. <i>Divide column A total by column B total</i> . . . . . <b>2b</b>			%
<b>3 Sales</b>			
a Tangibles. . . . . <b>3a</b>	\$	\$	
b Services . . . . . <b>3b</b>	\$	\$	
c Rents and royalties. . . . . <b>3c</b>	\$	\$	
d Other. . . . . <b>3d</b>	\$	\$	
e Totals. <i>Add lines 3a through 3d for each column</i> . . . . . <b>3e</b>	\$	\$	
f Sales apportionment percentage. <i>Divide column A total by column B total</i> $\times 2 =$ . . . . . <b>3f</b>			%
<b>4</b> Apportionment percentage. <i>Add lines 1d, 2b and 3f of column C</i> . . . . . <b>4</b>			%
<b>5</b> Massachusetts apportionment percentage. <i>Divide line 4 by four (<math>\div 4</math>). See instructions. (Enter here and in Form 3F, line 14, Schedule B, lines 25, 28 and Schedule D, line 16)</i> . . . . . <b>5</b>			%

# Form 3F Instructions

## General Information

**What is a corporate trust for Massachusetts tax purposes?** A corporate trust is any partnership, association or trust the beneficial interest in which is represented by transferable shares. Corporate trusts engaged in any business activity or transaction in Massachusetts are generally subject to taxation in Massachusetts on the same basis as individuals with certain exceptions. For additional information, see MGL Ch. 62, sec. 8. For information about the taxation of individuals, see the Form 1 instructions. A federal S corporation which qualifies as a Massachusetts corporate trust must file Form 3F.

**When must Form 3F be filed?** A Form 3F must be filed on or before April 16, 2002, if the corporate trust's gross income for the taxable year exceeds \$100. If prior permission has been granted on Form 13 to file on a fiscal year basis, Form 3F is due on or before the 15th day of the 4th month after the close of the fiscal year.

**How do I receive an extension?** To receive an extension of time to file, you must file an Application for Extension of Time to File Massachusetts Fiduciary, Partnership or Corporate Trust Return, Form M-8736, and pay the amount of tax you expect to owe on or before the due date for filing your Massachusetts income tax return. The filing and approval of this form will extend the due date for six months. Interest is charged on any tax not paid by the original due date. Your extension will not be valid if you fail to pay 80% of your total tax liability through estimated tax payments or with your Massachusetts Form M-8736. This form is available by visiting [www.mass.gov/dor](http://www.mass.gov/dor) or at any Department of Revenue location.

**Note:** Under Massachusetts law, professional and foreign corporations registered to do business in the Commonwealth must file an annual report with the Secretary of State on or before the 15th day of the third month after of the close of the corporation's fiscal year. The annual report form may be obtained by calling (617) 727-9440. The fee is \$85. Reports not filed on a timely basis will be assessed a \$25 late fee. If you have any questions about this requirement, please call the Secretary of State's corporate information line at (617) 727-9640.

**Are certain trusts exempt from Massachusetts income tax?** Yes. MGL Ch. 62, sec. 8, exempts the following trusts from Massachusetts income tax:

- Regulated investment companies under sec. 851 of the Internal Revenue Code (IRC).
- Real estate investment trusts under sec. 856 of the IRC.
- Holding companies, i.e. any corporate trust in which 90% of the book value of its assets at the end of the taxable year are securities, and at least 75% of such securities are issued by affiliates, and at least 90% of its Massachusetts gross income is derived from dividends, interest and gains from the sale or other disposition of securities. The word "affiliate" means a member of an affiliated group as defined under sec. 1504 of the IRC. The word "securities" means transferable shares of beneficial interest in any corporation or other entity, bonds or debentures or any issuer of notes and other evidences of indebtedness of affiliates.
- Entities which derive less than 10% of their income within Massachusetts. Such entities must file a completed Form 3F, including Schedule E or other apportionment method to substantiate their exempt status.

- Entities which elect to be treated as a Real Estate Mortgage Investment Conduit, as defined under sec. 860D of the IRC for federal income tax purposes.

**What U.S. forms must accompany Form 3F?** An exact and complete copy of U.S. Form 1120, 1120A or 1120S as filed must be attached and made part of the return. Certain schedules may be omitted. The following schedules, however, must be included: Schedule D, Capital Gains and (Losses); Form 4797; Supplemental Schedule of Gains; Cost of Goods Sold; Other Income; Taxes; Contributions; Amortization and Other Deductions. If the trust does not file U.S. Form 1120, 1120A or 1120S, copies of the return and schedules that the trust does file with the Internal Revenue Service must be attached.

In the event a corporate trust, subject to taxation in Massachusetts, has participated in filing a consolidated federal return with other entities, such as corporations or trusts not subject to taxation in Massachusetts, etc., the attached copy of U.S. Form 1120 should be a statement of the entire income of such trust taxable in Massachusetts as was included in the consolidated federal return. Supporting schedules in columnar form must be filed, for such trust included in the consolidated federal return, showing the items of gross income and deductions, a computation of taxable income, balance sheets as of the beginning and end of the taxable year, and a reconciliation of retained earnings.

## Line Instructions

**Question 3.** If the trust is a Regulated Investment Company (RIC) under sec. 851 of the Internal Revenue Code (IRC) or a Real Estate Investment Trust (REIT) under sec. 856 of the IRC, check the box in question 3. Such entities are exempt from Massachusetts income tax on Form 3F but must file an informational return. You may do so by filing Form 3F and entering "0" in lines 6 (income before deductions), 24 (total tax), 30 (tax after credits), 36 (amount of your refund) and 37 (tax due). Also, you must write either "RIC-Informational Return" or "REIT-Informational Return" across the front of the return.

**Question 5.** If the trust is filing a final return or liquidating, check the box in question 5 and attach a separate statement explaining the liquidation.

Liquidations of a trust may receive different treatment under the IRC and Massachusetts law. If you have any questions about a particular liquidation, consult the Customer Service Bureau at (617) 887-MDOR.

**Question 9.** Dividends paid since December 31, 1970, from earnings and profits accumulated prior to January 1, 1971 by a trust that was not subject to Massachusetts taxation, are taxable dividends to the recipient individuals, partnerships, or other trusts. Such recipients should be informed of the taxable dividend amounts and the trusts must report names, addresses, and amounts on a copy of U.S. Form 1099-DIV. All dividends, whether or not from current or accumulated earnings, paid by any corporate trust engaged in business in Massachusetts to a corporation subject to taxation under MGL Ch. 63 are taxable to such corporation.

**Filing U.S. Form 1120S.** If a corporate trust is filing U.S. Form 1120S, U.S. Income Tax Return for an S Corporation, enter amounts from the lines on Form 1120S corresponding to the line references from U.S. Form 1120 or 1120A. If there is no equivalent U.S. Form 1120S line reference, enter the requested amount as if it had been reported on U.S. Form 1120 or 1120A.

**Line 8.** A trust is allowed only those expense deductions which are available to an individually owned business. Consequently, certain deductions allowed on the U.S. 1040, Schedule A or on the U.S. 1120, 1120A or 1120S are not allowed. These include:

- Certain taxes, such as foreign, state, local income or franchise, or capital stock taxes or excises;
- Contributions;
- Other adjustments, such as any amount deducted on your U.S. return that is related to income not subject to Massachusetts taxation; or
- U.S. net operating (loss) deduction and other special deductions.

**Line 11.** Enter all interest (and dividends) credited or received from savings deposits, savings accounts, share or share savings accounts including term and time deposits in any kind of bank located in Massachusetts. Such savings account organizations include any savings or cooperative bank, credit union, or savings and loan association, and any national bank, trust company, banking company, or Morris Plan company located in Massachusetts. The \$100/\$200 exemption available to individuals is not available to trusts. All other interest (and dividends) should be reported on Schedule B (see instructions to line 17.)

**Line 17 and Massachusetts Schedule B, Interest and Dividends.** Interest on any variable interest rate note and fixed interest rate note is taxed at 5.6%. Also, any interest (or dividends) from any bank deposit in Massachusetts or in another state or country and any interest on any personal or business account receivable, note, loan, taxable bond or security deposit or advance payments on rentals is taxed at 5.6%. The treatment of a distribution that is a return of capital for taxable years beginning after December 31, 1973 is the same as under the IRC.

**Line 20 and Massachusetts Schedule B, Certain Capital Gains and (Losses).** Short-term capital gains and (losses), gains or (losses) on the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less, and long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes is taxed at 12%.

Collectibles are defined as any capital asset that is a collectible within the meaning of Internal Revenue Code sec. 408(m), as amended and in effect for the taxable year, including works of art, rugs, antiques, metals, gems, stamps, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

**Line 23.** If any Brownfields Credit or Economic Opportunity Area Credit property is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the total credit allowed for actual use must be added back to your tax on Form 3F. Complete and attach Schedule H-2, Credit Recapture. Schedule H-2 is available at [www.mass.gov/dor](http://www.mass.gov/dor) or by calling (617) 887-MDOR.

**Line 29.** A new low-income housing credit is available to Form 3F filers. The Department of Housing and Community Development will allocate the low-income housing credit from a pool of available credits granted under section 42 of the Internal Revenue Code among qualified low-income housing projects. A taxpayer allocated a federal low-income housing credit may also be eligible for a state credit based on the credit amount allocated to a low-income housing project that the taxpayer owns. A five-year carryforward of unused credit

is allowed. See Technical Information Release 99-19 for more information. If you qualify for the credit, be sure to attach a copy of the eligibility statement issued by the Department of Housing and Community Development.

**Schedule B, Line 3.** Enter the interest from obligations of other states and their political subdivisions. Enter dividends received from an S corporation that were made from its undistributed income upon which the U.S. income tax was paid previously.

**Schedule B, Line 14.** Enter the amount from Massachusetts Schedule C-2, line 10 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.6% deductions to offset other income. Massachusetts law allows such offsets if the following requirements are met: the excess 5.6% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Attach Schedule C-2 to your return.

**Schedule B, Line 20 and Schedule D, Line 12.** If Schedule B, line 19 is a (loss) and any amount in Schedule D, line 11, columns A, B, C, D, E or F is a positive amount, you must complete a pro forma version of the Short-Term Capital (Losses) Applied Against Long-Term Capital Gains Worksheet found on page 34 in the Form 1 instruction booklet. When completing the worksheet, substitute Schedule B, line 19 (Form 3F) for Schedule B, line 17 (Form 1); Schedule D, line 11 (Form 3F) for Schedule D, line 14 (Form 1); Schedule D, line 12 (Form 3F) for Schedule D, line 15 (Form 1); and Schedule B, line 20 (Form 3F) for Schedule B, line 18 (Form 1).

If Schedule B, line 19 is a positive amount and any amount in Schedule D, line 11, columns A, B, C, D, E or F is a (loss), you must complete a pro forma version of the Long-Term Capital (Losses) Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet found on page 34 in the Form 1 instruction booklet. When completing the worksheet, substitute Schedule B, line 19 (Form 3F) for Schedule B, line 17 (Form 1); Schedule D line 11 (Form 3F) for Schedule D, line 14 (Form 1); Schedule D, line 12 (Form 3F) for Schedule D, line 15 (Form 1); and Schedule B, line 20 (Form 3F) for Schedule B, line 18 (Form 1).

**Schedule D, Line 3.** If you have a carryover (loss) from a prior year, enter in the applicable column in line 3 the amount of carryover (losses) from your 2000 Schedule D, line 20, columns A, B, C, D and E. This line is not applicable for column F.

**Schedule D, Line 10.** If any amount in Schedule D, line 9 columns A, B, C, D, E or F is a positive amount and any amount in Schedule D, line 9, columns A, B, C, D, E or F is a (loss), you must complete a pro forma version of the Long-Term Capital (Losses) Applied Against Long-Term Capital Gains Worksheet found on pages 39–42 in the Form 1 instruction booklet. When completing the worksheet, substitute Schedule D, line 9 (Form 3F) for Schedule D, line 12 (Form 1) and Schedule D, line 10 (Form 3F) for Schedule D, line 13 (Form 1).

**Schedule D, line 12 and Schedule B, line 20.** If any amount in Schedule D, line 11, columns A, B, C, D, E or F is a positive amount and Schedule B, line 19 is a (loss), you must complete a pro forma version of the Short-Term Capital (Losses) Applied Against Long-Term Capital Gains Worksheet found on page 34 in the Form 1 instruction booklet. When completing the worksheet, substitute Schedule B, line 19 (Form 3F) for Schedule B, line 17 (Form 1); Schedule

D, line 11 (Form 3F) for Schedule D, line 14 (Form 1); Schedule D, line 12 (Form 3F) for Schedule D, line 15 (Form 1); and Schedule B, line 20 (Form 3F) for Schedule B, line 18 (Form 1).

If any amount in Schedule D, line 11, columns A, B, C, D, E or F is a (loss) and Schedule B, line 19 is a positive amount, you must complete a pro forma version of the Long-Term Capital (Losses) Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet found on page 34 in the Form 1 instruction booklet. When completing the worksheet, substitute Schedule B, line 19 (Form 3F) for Schedule B, line 17 (Form 1); Schedule D, line 11 (Form 3F) for Schedule D, line 14 (Form 1); Schedule D, line 12 (Form 3F) for Schedule D, line 15 (Form 1); and Schedule B, line 20 (Form 3F) for Schedule B, line 18 (Form 1).

**Schedule D, Line 14.** Enter in line 14, column A the amount from Schedule C-2, line 14. Enter in line 14, column B the amount from Schedule C-2, line 16. Enter in line 14, column C the amount from Schedule C-2, line 18. Enter in line 14, column D the amount from Schedule C-2, line 20. Enter in line 14, column E the amount from Schedule C-2, line 22. Enter in line 14, column F the amount from Schedule C-2, line 24.

## Instructions for Schedule E, Income Apportionment

Schedule E should be completed by a corporate trust deriving income from business activities in another state which allow such state the jurisdiction to levy an income tax or a franchise tax. **Note:** If alternative apportionment is being requested under Ch. 63, sec. 42, you must still complete and file Schedule E. Also, check the box in line 8 of the Registration Section on page 1, and attach Form AA-1. A refund will be issued if alternative apportionment is granted by the Commissioner. For further information, see 830 CMR 63.42.1.

Make certain that complete information is entered for all apportionment factors. Any return which is incomplete will be considered insufficient.

**Note:** Mutual fund service corporations must file a "pro forma" Schedule F, Income Apportionment, found in the Massachusetts 355 instruction booklet.

**Line 1. Property factor. Item a.** Corporate trusts must use original cost for average valuation of property owned. Averages of opening and closing balances are acceptable unless there have been substantial changes during the taxable year, in which case the Commissioner may require monthly averaging to properly reflect the average value of the property.

**Item b.** Rented property must be valued at eight times the annual net rental paid less annual sub-rentals received.

**Line 2. Payroll factor.** Enter the total amount of wages, salaries, commissions and other compensation paid to employees. Use the same basis as is used for reporting employee compensation to the Massachusetts Division of Employment and Training.

**Line 3. Sales factor.** For sales factors, enter all gross receipts with the exception of receipts from interest, dividends and the sale or other disposition of securities.

**Item a.** Sales of tangible property are assignable to Massachusetts if the property is delivered or shipped to any buyer in Massachusetts, or the trust is not taxable in the state of the buyer and the goods are not sold by a salesman based outside Massachusetts. Buyers include the U.S. Government. Sales of tangible property are not assignable to Massachusetts if the property is shipped or delivered to a buyer in a foreign country, or sold to any branch or instrumentality of the U.S. Government for resale to a foreign government.

**Item b.** Sales of services, or other intangibles, are assigned to Massachusetts if the income producing activity is performed in Massachusetts or if the greater portion of the activity, based on costs of performance, occurs in Massachusetts, than in any other state.

**Item c.** Rents from property located or used in Massachusetts are assigned to Massachusetts. Royalties are assigned to the state in which the property right is actually used by the lessee.

**Lines 4 and 5. Apportionment.** Divide the total apportionment percentage in line 4 by either 4, 3, 2 or 1, depending upon the number of apportionment factors which apply. Remember that the sales factor is double-weighted. For example, if only the sales and payroll factors are applicable, divide by 3 instead of 4. An apportionment factor should not necessarily be considered inapplicable if its Massachusetts total (column A, lines 1c, 2a or 3e) is zero. If any of the apportionment totals for "Everywhere" (column B, line 1c, 2a or 3e) are less than 3.33% of net income, do not include that factor in the Massachusetts apportionment percentage.

**Where to file.** Mail Form 3F and all accompanying schedules and attachments to: **Massachusetts Department of Revenue, PO Box 7018, Boston, MA 02204.**

A federal S corporation which qualifies as a Massachusetts corporate trust should mail Form 3F and all accompany schedules and attachments to: **Massachusetts Department of Revenue, PO Box 7025, Boston, MA 02204.**